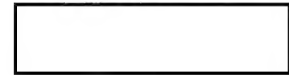


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STAFF NOTES:

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State Dept. review completed

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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS



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Turks Consider Options on Cyprus and US
Bases

Turkey's policy options regarding Cyprus and the US bases issue will be under high level review at today's meeting of the National Security Council and later this week when the cabinet convenes. The results will provide important clues as to the practical effect of last week's mid-term senatorial elections on Prime Minister Demirel's ability to move his fractious coalition government to act decisively on the critical issues facing the country.

It remains to be seen whether Demirel's most troublesome coalition partner, Necmettin Erbakan, has been chastened enough by his National Salvation party's substantial electoral losses to follow Demirel's lead. The attitude of opposition leader Bulent Ecevit is another unknown. His party's strong election showing may make him more aggressive and reluctant to give Demirel the latitude required to deal with these problems.

The military's input into these foreign policy deliberations will be channeled through the National Security Council. The communique issued after the Council's meeting today did not offer any hint as to what their recommendation would be. Military leaders are thought, however, to desire rapid movement to consolidate the gains made on Cyprus last summer, restore relations with the US and mitigate Turkey's international isolation.

The Turkish General Staff appears to favor making limited territorial concessions on Cyprus as a means of opening the way to a settlement. Its thinking on the bases issue is less clear.

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Pace of Greek Political Activity Picks Up

The pace of Greek political activity has increased following the convening of parliament on October 6 and major speeches by the various political party leaders on October 16. Prime Minister Caramanlis' New Democracy Party continued to act in unison as its candidates swept the elections for parliamentary offices.

Caramanlis put on an excellent performance before the parliament and seemed to emerge as the winner of the debate with the opposition. His speech contained no surprises, and was devoted primarily to foreign policy.

Caramanlis defended his Balkan Conference initiatives by citing the desire to eliminate the traditional distrust among Balkan countries and to substitute for it cooperation in accord with the "spirit of Helsinki. He noted that while Albania had refused to participate, Yugoslavia, Bulgaria, and Romania had accepted. He expressed hope that Turkey would, too, so that the conference might be convened by the end of the year.

He linked Greece's withdrawal from the military side of NATO to the situation engendered by the Turkish invasion of Cyprus and consideration of eventual reintegration to the solving of the Cyprus problem. Meanwhile, Greece would seek a "special relationship" with NATO similar to that of France or Norway. He also noted that Greek entrance into the EC would consolidate Greek democracy, reinforce the nation's security, and accelerate its cultural and economic development.

Caramanlis explained that the revision of defense relations with the US does not arise out of any hostility toward the US but rather, out of the need to

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harmonize the status of the US bases with current reality and Greek national interests. Consequently, some bases would be dismantled while others would be reduced in size and come under national control.

The Prime Minister expressed the hope that Turkey will move to settle the Cyprus dispute now that the US embargo has been eased and the senatorial elections have been held but he was not optimistic. He promised to continue the struggle for a just solution in the event the Turks are not forthcoming. He declared that Greece wants a peaceful settlement of the Aegean controversy by means of international arbitration, but cautioned that Turkey would make a great mistake were it to interpret this as a sign of weakness.

On domestic issues, Caramanlis asserted that the government had carried out all appropriate measures against junta elements and that further prosecutions would be selective and not by group. In this regard, he announced another postponement of the trial of those responsible for the Cyprus coup against President Makarios because such a trial would harm national interests. He blamed the country's economic woes on junta mismanagement, large defense expenditures, and unfavorable international economic conditions. He cautioned labor against disruptive strikes and excessive demands, promising that sacrifices now would assure economic and social progress in the near future.

Caramanlis' comments were followed by those of Center Union/New Forces leader George Mavros who agreed essentially with most of the government's positions, pointing out the continued difficulty the party is having in establishing its own identity. Mavros did call for a more thorough purge of junta elements and for the reform of the bureaucracy. Panhellenic Social Movement leader Andreas Papandreou took exception to nearly all the government's positions, and his presentation was marked by numerous interjections by Caramanlis and a lengthy heated

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exchange with Mavros over an incident in last year's election campaign. Communist Party of the Interior spokesman Leonidas Kirkos stressed the need for a more intensive purge of junta elements from the state machine. The Moscow-backed Communist Party of the Exterior boycotted the session because of a parliamentary ruling that prevented its leader, Harilaos Florakis from speaking.

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Italian Socialists Set Strategy Looking to
February Congress

The Italian Socialist Party last week approved a platform designed to distinguish the party from both the Christian Democrats and Communists and to reinforce its pivotal position between them. The platform was put together in strategy sessions held by the Socialist central committee to prepare for the party congress in February.

Socialist chief De Martino practically ruled out his party's return to full participation in the national government before the next parliamentary election, which must be held by the spring of 1977. In the meantime, the Socialists seem willing to continue their crucial parliamentary support for some kind of interim government, such as Prime Minister Moro's Christian Democratic-Republican coalition. Socialist support for Moro will be reviewed, however, after the passage of emergency anti-recession measures and the conclusion of talks between government and labor on major contract renewals.

In any event, the Socialists categorically exclude a return to the formula that has been the basis for most Italian governments since 1963--a center-left coalition dominated by the Christian Democrats. De Martino left the door open to renewed collaboration with the Christian Democrats after the next election, provided they accept Socialist programs and agree to a mechanism that would obligate the Communists to support the government's decisions.

The Communists' lack of enthusiasm for the latter idea--which is intended to minimize the

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advantages of their opposition status--has strained relations with the Socialists. While De Martino noted that the Communists had adopted a number of democratic policies in recent years, he put more emphasis on the contradiction between that trend and the Communists' continuing ties to Moscow. That was one of the reasons cited by De Martino in ruling out for the near term either a Communist-Socialist alliance at the national level or the "historic compromise"--Communist leader Berlinguer's proposal for a rapprochement with the Christian Democrats which the Socialists fear would relegate them to a marginal role in Italian political life.

The Socialists, by adopting these policies, are attempting to apply the lessons they drew from the outcome and aftermath of the regional and local elections last June. The Socialists advanced only moderately in those contests while the Communists scored unprecedented gains--a development the Socialists attribute to their long association with the Christian Democrats in the government.

At the same time, the Socialists' experience in the many local coalitions they formed with the Communists after the elections has revived Socialist fears of ultimately being absorbed by the stronger and better-organized Communists.

By taking their distance from the Christian Democrats, the Socialists hope to compete on an equal footing with the Communists for the votes of dissatisfied Italians in the next election. The Socialists also hope to derive political advantage by highlighting the differences between themselves and the Communists, particularly on international policy.

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Ottawa's Economic Control Program Designed to
Check Wage Spiral and Enhance Trudeau's Image

The main goals of the tough anti-inflation program announced by the Canadian government last week are to check excessive wage increases and to refurbish Prime Minister Trudeau's image as a "take-charge" leader.

Trudeau, according to an aide, had been forced to act now because wages, particularly for provincial and municipal workers, were out of control. The government recognized the problems involved in regulating prices, but concluded that wages could not be restrained without also trying to control prices. For cosmetic purposes, Ottawa hopes the new federal Anti-Inflation Review Board's first case will focus on prices, because a move to roll back a price increase would help convince labor of the government's good faith.

Although the Canadian Labor Confederation initially adopted a wait-and-see attitude, labor leaders now appear to view the government's program as designed to control wages. Opposition by the Confederation and its affiliated unions is growing. Several unions have threatened to ignore wage controls and to challenge the constitutionality of the program in the courts.

Trudeau's aide indicated that the decision to adopt controls was also based upon the need to improve his image as a strong leader. Political observers note that after the Prime Minister appeared on television to announce bold new programs to deal with the 1970 Quebec crisis and the 1972 oil crisis, his Gallup poll ratings soared.

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Trudeau's prestige has been slipping in the face of Ottawa's failure to deal effectively with Canada's economic problems. Dissidents in his Liberal Party threatened to call for a special leadership convention at next month's party conference, a move some observers felt might have the support of 20 to 25 percent of the delegates. This potentially serious blow to Trudeau's prestige is believed by the government to have been overcome by the bold new economic program.

Eight of the ten provinces have agreed to go along with the program and Ottawa is hopeful they will set up provincial anti-inflation boards. This would make it easier for Ottawa to administer the program, as well as shift some of the tough decisions on wages and prices to provincial governments most of which are controlled by opposition parties.

Trudeau, however, faces opposition from two provincial premiers David Barrett of British Columbia and Peter Loughheed of Alberta. Barrett needs labor support in the election next year and Loughheed, according to Trudeau's aid, wants to enhance his chances to assume the national leadership of the Progressive Conservative Party. Loughheed publicly opposes the program because he believes it will hinder Alberta's industrial development and exploitation of its resources. Loughheed's opposition, while popular in Alberta, is at odds with the national party's long standing advocacy of wage and price controls.

The US embassy in Ottawa believes that the Trudeau government may be over optimistic about the program's chances of success. The constitutionality of the program is likely to be tested in the courts and there is no assurance that Trudeau's political position will be strengthened. The government also may have over emphasized the political advantages without giving sufficient thought to the long-range economic consequences of the program.



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